


MEDICAID SERVICES MANUAL  
TRANSMITTAL LETTER

July 14, 2009

MEMORANDUM

TO: CUSTODIANS OF MEDICAID SERVICES MANUAL  
FROM:  JOHN A. LIVERATTI, CHIEF, COMPLIANCE  
SUBJECT: MEDICAID SERVICES MANUAL CHANGES  
CHAPTER 700 – RATES AND COST CONTAINMENT

BACKGROUND AND EXPLANATIONS

Changes are being made to Medicaid Services Manual (MSM) Chapter 700 - Rates and Cost Containment, to align the MSM with the Medicaid State Plan and will enact State regulations giving authority to the Division to recoup money from non-hospital based nursing facilities that do not spend an adequate amount of funds on direct health care for patients.

Changes to the chapter also direct providers to the Medicaid State Plan for detailed methods and standards for rate reimbursements. Changes to this chapter are effective August 1, 2009.

MATERIAL TRANSMITTED

**MTL 19/09**

CHAPTER 700 – RATES AND COST  
CONTAINMENT

MATERIAL SUPERSEDED

**MTL 17/05, 09/06, 26/07, 03/08**

CHAPTER 700 – RATES AND COST  
CONTAINMENT

**Sec. 700**

Added new section and definition:  
“700 – Introduction”

**Sec. 703.1B**

Added “I”

Deleted “I”

**Sec. 703.2**

Added “INPATIENT HOSPITAL SERVICES-  
Inpatient services are a federally mandated  
Medicaid benefit. A hospital is an inpatient  
medical facility licensed as such to provide  
services at an acute level of care for diagnosis,  
care, and treatment of human illness primarily

for patients with disorders other than mental diseases. For purposes of Medicaid, a hospital meets the requirements for participation in Medicare as a hospital and does not include an Institution for Mental Diseases, a Nursing Facility, or an Intermediate Care Facility for the Mentally Retarded, regardless of name or licensure. Inpatient hospital services, which have been authorized for payment at the acute level by a quality improvement organization (QIO-like vendor), as specified in the contract between the QIO-like vendor and DHCFP, are reimbursed by all-inclusive, prospective per diem rates by type of admission/service. The all-inclusive prospective rates cover routine and ancillary services furnished by the hospital, including direct patient care for professional services furnished to inpatients by hospital-staffed physicians and practitioners. For specific rate methods and standards for inpatient hospital services, refer to the State Plan, Section 4.19, Attachment A.”

**Sec. 703.3.2.b**

Added “2.a.”

Deleted “B.1.”

**Sec. 703.4**

Added “A”

Deleted “r”

Added “/Medicaid”

Deleted “.”

Added “R”

Deleted “the”

Added “is the standard Medicare Cost Report”

Deleted “T”

Added “completed.”

Added “t”

**Sec. 703.4.2.b**

Added “DHCFP”

Deleted “the Medicaid program”

**Sec. 703.4.2.c**

Added “c. Minimum Direct Care Staffing Requirement: In the event that a nursing facility does not incur direct care cost, at least equal to 94% of the direct care median, the Department will have the option to recoup,

from future payments to that provider, an amount equal to 100% of the difference between the provider's direct care rate and the actual cost the provider incurred. This provision is intended to encourage adequate direct care staffing. Any penalties collected shall accrue to the State General fund and shall be used to offset Medicaid expenses."

**Sec. 703.4.3.b**

Added "3.a. (above)"

Deleted "C.1"

**Sec. 704.6**

Added "2.a."

Deleted "(B)(1)"

**Sec. 705.1**

Deleted "Chapter 100, Section 105,"

Deleted ":",

Deleted "Medicaid"

Deleted "3400 Residential Treatment Center Services"

**Sec. 705.2**

Added "42" twice

Deleted "26" twice